

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL NOTE**

**HB 2811 - SB 2666**

February 28, 2020

**SUMMARY OF BILL:** Permanently removes the cap on the annual amount of state and local tax revenue that may be distributed to premier type tourist resort municipalities.

**ESTIMATED FISCAL IMPACT:**

**Other Fiscal Impact – Passage of this legislation will continue a current allocation of state sales tax revenue to Gatlinburg and Pigeon Forge estimated to exceed \$5,997,400 per year beginning in FY21-22.**

Assumptions:

- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(A), 4.603 percent of state sales and use tax revenue collections are to be distributed to municipalities statewide based on population.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(i), a municipality, collecting at least 40 percent of its sales tax revenue from hotels, motels, tourist courts accommodation, tourist shops and restaurants may elect to become a premier type tourist resort and receive 4.603 percent of the tax actually collected by dealers with the boundaries of such resort.
- Currently, both Gatlinburg and Pigeon Forge are the only premier type tourist resorts.
- Pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(ii) and (iii), in addition to the aforementioned section, a municipality electing such resort status, which also contains within its boundaries a golf course and ski slope, or a theme park of not less than 80 acres shall receive an additional 4.603 percent allocation equal to the tax actually collected by dealers within the boundaries of such resort. Gatlinburg and Pigeon Forge qualify for such additional distributions.
- Finally, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(iv)(a) and (b), Gatlinburg shall also receive 90 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation, and Pigeon Forge shall also receive 96 percent of the amount distributed in FY86-87 pursuant to the 4.603 percent allocation.
- However, pursuant to Tenn. Code Ann. § 67-6-103(a)(3)(B)(v), the collective amounts paid pursuant to the aforementioned distributions are capped to the collective amounts paid under such subdivisions for FY99-00.

- Public Chapter 390 of the Public Acts of 2017 (P.C. 390) removed the cap on the annual amount of state and local tax revenue that may be distributed to Gatlinburg and Pigeon Forge for FY17-18 through FY20-21.
- The fiscal note attached to P.C. 390 estimated that the impact of removing such cap in the last fiscal year, FY20-21, would be a decrease in state revenue and a corresponding increase in local revenue exceeding \$3,389,200.
- This proposed legislation will continue such special allocations indefinitely.
- However, in the absence of this legislation, the amount of state sales and use tax revenue that would be allocated to Gatlinburg and Pigeon Forge for FY21-22 would again be capped at an amount estimated to be \$5,549,011.
- If such cap were lifted permanently as proposed by this legislation, it is estimated that Gatlinburg and Pigeon Forge would be allocated a total of \$11,546,429 for FY21-22.
- Therefore, Gatlinburg and Pigeon Forge will continue to receive a special allocation of state sales tax revenue, now estimated to exceed \$5,997,418 (\$11,546,429 - \$5,549,011) per year beginning in FY21-22.

#### **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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